VULCAN MINERALS INC

Interim Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2012 and 2011

(Unaudited)

…exploring for petroleum and minerals in Canada… searching new areas for large deposits…

VULCAN MINERALS INC.
June 30, 2012 and 2011

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This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration, drilling, exploration activities and events or developments that Vulcan Minerals Inc. (the "Company") expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements.

INTRODUCTION

The Interim Condensed Consolidated Financial Statements and comparative information have been prepared in Canadian dollars and in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board.

General Business

The Company is engaged in petroleum and natural gas and mineral exploration on properties in Newfoundland and Labrador. The Company's efforts have focused on exploring these properties. The Company is a pure exploration venture and has no proven petroleum or mineral reserves.

The MDA should be read in conjunction with the consolidated financial statements for the period ended June 30, 2012 and accompanying notes.

DATE

The date of this MDA is August 14, 2012.

OVERALL PERFORMANCE

For the period ended June 30, 2012, total assets decreased to $11,752,847 (2011 - $14,756,151) reflecting a decrease in petroleum and natural gas exploration and evaluation assets from $10,020,699 to $4,309,740 (as a result of the sale and write-down of assets during Q2 2012) and a decrease in investments (shares in public companies - see Financial Instruments and Other Instruments) offset by an increase in cash from $3,317,690 to $5,941,058. Current liabilities related to normal trade payables and current exploration activities decreased to $733,323 (2011 - $762,894). Other accrued liabilities relate to premiums on flow-through monies to be spent; the amount accrued for 2012 is $Nil (2011 - $109,874). The Company had revenue increases related to a gain on the sale of the offshore Labrador working interest of $1,249,551; interest income of $16,843 was slightly lower than the prior year (2011 - $18,877). Deposits increased due to the reclassification of some deposits related to petroleum and natural from exploration and evaluation assets to deposits held. General and administrative expenses were higher for the period ended June 30, 2012 ($384,257) compared to 2011 ($296,132) and include the following material components:

General & Admin. Expenses Include:	Three Months Ended June 30			Six Months Ended June 30		
	2012	2011	Change	2012	2011	Change
	$	$	%	$	$	%
Office (including reimbursements)	**27,140**	(112,473)	124%	**25,102**	(229,871)	111%
Mgmt Fees / Admin / Subcontract	**138,460**	215,535	-36%	**269,750**	432,717	-38%
Transfer Agent & Professional Fees	**39,284**	53,472	-27%	**70,555**	70,990	-1%
Travel & Accommodation	**4,370**	7,078	-38%	**18,850**	22,296	-15%

Although actual office expenses were fairly consistent year over year, reimbursements of G&A in 2011 were higher as personnel spent less time during 2012 on joint venture projects. Management and subcontract fees decreased in 2012 as a result of a decrease in personnel. Transfer agent and professional fees were consistent year over year as a result of professional fees relating to corporate work. Travel and accommodation was slightly lower in 2012. There was a net loss for the period of $1,194,130 compared to a net loss of $492,557 in 2011. Net loss was higher in 2012 as a result of the write-off of petroleum and natural gas assets of $2,207,798, higher G&A per above offset by other income of $1,249,551, decreased stock based compensation expenses during 2012 of $39,635 (2011-$125,687), and a deferred income tax recovery of $207,162 versus an expense in 2011 of $68,054.

SELECTED ANNUAL INFORMATION

Refer to Form 51-102F for the year ended December 31, 2011.

RESULTS OF OPERATIONS

Western Newfoundland-Petroleum (Onshore)

Bay St. George

Effective May 1, 2012, the Company holds a 2.0% gross overriding royalty in three petroleum permits in the Bay St. George area, onshore western Newfoundland. The Company previously operated and explored these properties since 1996, accumulating a database of geophysical and geological data and drilling eleven wildcat wells in this unexplored basin. There have been two gas discoveries as well as a shallow oil deposit on the permits. These discoveries are unconventional because of tight reservoir conditions requiring significant expenditures to evaluate their commerciality. These expenditures are beyond the ability of the Company to pursue and as a result the Company elected to covert its 50% working interest to a royalty position enabling the Company to share any future production without any operational risks or costs.

The operator, Investcan Energy Corporation (“Investcan”) (former 50% working interest owner), is formulating a strategy to test the shallow oil deposit at Flat Bay as a result of the six hole core program in 2011.

Parsons Pond

The Parsons Pond permits are situated on the west side of the northern peninsula in western Newfoundland. This is a frontier onshore petroleum exploration area. The Company has held non-operating minority interests in this area for several years.

On August 6, 2009, Nalcor Energy acquired an average 67% working interest and operatorship in the permits from a private company. Nalcor Energy is a provincial (Newfoundland and Labrador) crown corporation active in hydro-electric generation and oil and gas development. The first well, Seamus #1, on exploration permit 03-103 reached a total depth of 3,160 metres in late May 2010 and is currently suspended. The Company owns a 10% working interest in EP 03-103.

The second well, Finnegan #1, on exploration permit 03-102 (where the Company owns a 7.39% working interest) reached a total depth of 3,130 metres in early December 2010. The well encountered natural gas and is currently suspended. These wells are the first deep wells to be drilled in this part of the Cambrian-Ordovician aged Anticosti Basin in western Newfoundland. As to future activities, the Company is waiting on an exploration plan from the operator.

Labrador Offshore

Effective May 15, 2012, the Company sold its 30% working interest in the Labrador Offshore exploration licence 1107 ("EL 1107") to Investcan for a cash payment of $1,750,000 and "success" payments of $500,000 upon the spudding of a well on EL 1107 or the sale by Investcan of its total interest in the licence whichever comes first, and a further $500,000 upon the issuance of any significant discovery licence contained within the exploration licence. The Company had invested $500,449 in respect to this project prior to the sale.

EL 1107 covers 236,525 hectares (584,000 acres) of the Hopedale Basin on the Labrador continental shelf and was acquired in September 2008 with Investcan. An exploration licence confers the right to explore for petroleum for six years (Period I) with a possible additional period of three years.

Western Newfoundland Offshore

Through its interests in NWest Energy Corp. ("NWest"), the Company has exposure to the exploration potential of offshore western Newfoundland. The Company was a founding shareholder of NWest in 2006 and currently owns approximately 19.2% of its outstanding shares.

In January 2012, NWest announced it had entered into an agreement with Shoal Point Energy Ltd. ("Shoal Pt") in which Shoal Pt will acquire 100% working interest in licence EL 1079R. This transaction was approved at NWest's annual and special meeting of shareholders on March 21, 2012. This transaction provides NWest shareholders with ongoing exposure to the offshore Green Point tight oil play in western Newfoundland both on EL 1079R and by virtue of its equity ownership in Shoal Pt on the other projects being operated by Shoal Pt in western Newfoundland. In March 2012, NWest further announced that it has entered into a non-binding letter of intent with Caribe Oil & Gas Ltd. ("Caribe"), a private Alberta corporation focused on exploration and development of oil and gas properties in Argentina, pursuant to which NWest would amalgamate with Caribe to form a new company. Due to equity market conditions, NWest announced on April 25, 2012 that the proposed transaction was cancelled.

Mineral Properties

TL Nickel-Copper-PGM

The TL Nickel-Copper-Platinum group element property in Labrador is situated approximately 80 km northwest of the Voisey's Bay world-class nickel-copper-cobalt mine. The property was optioned to Nortec Minerals Corp. ("Nortec") in 2003. Nortec has spent sufficient funds to keep the property in good standing since that time. An airborne geophysical survey was completed as of May 21, 2008 by Geotech using the VTEM system. A drilling program was carried out on the property during the summer of 2008 with approximately 1,960 metres being drilled. To date Nortec has earned 51% working interest in the property. Significant drill intersections of mineralization were encountered including 14 metres of 1.02% Nickel, 0.51% Copper, and 0.03% Cobalt. Full assay results are available on the Company's website at www.vulcanminerals.ca. The Company and Nortec are investigating avenues to resume exploration on the property.

Flat Bay Potash/Salt

The Carboniferous aged strata of the Maritimes Basin are a significant producer of salt and potash, including the Sussex mine operated and under current expansion by the Potash Corporation of Saskatchewan in New Brunswick.

The Company owns the mineral rights over a portion of the northern Bay St. George Basin (approximately 83,390 acres). In 2002, the Company drilled Captain Cook #1 which discovered a 165-meter thick section of evaporites consisting of halite (salt) and a potentially significant potash zone. Analysis of the core indicates grades varying from 4.44% - 20.40% K_2O (potassium oxide). In 2004, the Company drilled the Flat Bay #2 well, which intersected approximately 200 metres of salt approximately 2 km from Captain Cook. Geological analysis suggests that these discoveries are connected and that a potentially significant salt/potash resource exists in the area. In late 2011, the Company carried out a high resolution airborne gravity survey (Fugro Surveys) over the prospective lands for potash and salt to further enhance the geologic understanding of the deposits and assist with drill target prioritization. Final processed data has been reviewed and is currently being interpreted and integrated with the existing database.

On July 25, 2012, the shareholders of the Company approved a corporate re-organization whereby the Company will spin-out certain of its mineral exploration assets in the Bay St. George basin into a separate publicly traded subsidiary company, Red Moon Potash Inc. ("Red Moon") (see "Plans for 2012 below).

Plans for 2012

Exploration

With the conversion of the Company's remaining 50% working interest in the Bay St. George onshore petroleum permits to a 2.0% royalty (see Bay St. George above) and the sale of its offshore Labrador interest (see Labrador Offshore above), the Company is pursuing other opportunities where it can utilize its petroleum/mineral exploration expertise to add value to the Company. The Company has a relatively strong cash position and no debt which will be advantageous in acquiring new projects in the currently depressed equity markets for resource companies.

The Company is undertaking a full review and integration of all geologic, geophysical and drilling data on the TL Nickel property towards formulating a new exploration program.

The Company continues to integrate all the data in the Bay St. George basin towards assisting Red Moon with its future drilling program for potash/salt.

The Company has a minority interest in the Parsons Pond petroleum project in western Newfoundland and is awaiting proposals from the operator as to future exploration plans.

Red Moon Potash Inc.

In 2011, the Company incorporated Red Moon as a separate subsidiary to hold certain mineral assets. These assets consist of the mineral rights in the Bay St. George basin of western Newfoundland where the Company has discovered the Captain Cook potash deposit which consists of a 5 meter gross mineralized interval with varying grades up to 20.40% potassium oxide (K20) at a depth of 287 meters. It occurs in rocks which are geologically similar to those containing the Sussex potash mine in New Brunswick operated and currently under expansion by the Potash Corporation of Saskatchewan.

Red Moon will allow the financing of this mineral project on a standalone basis. Shareholder and court approval for the “spinout” has been obtained. Shareholders of the Company, as of August 15, 2012, the record distribution date, will receive shares in Red Moon on a pro-rata basis of 1 share of Red Moon for every 3.835075 shares of the Company. Further details regarding the arrangement are set out in the Information Circulars sent to shareholders for the July 25, 2012 and the August 31, 2011 meeting. The Company is financing Red Moon for its initial phase of exploration. Conditional listing approval has been received from the TSXV; the company expects Red Moon to be trading within the coming weeks. Red Moon will utilize the management and technical services of the Company’s staff on a contract basis.

SUMMARY OF QUARTERLY RESULTS

Quarter	Total Revenue	Net Loss	Net Loss per share
	$	$	$
June 30, 2012	**1,259,658**	(1,139,850)	(0.02)
March 31, 2012	**6,736**	(54,280)	-
December 31, 2011	**7,993**	(848,977)	(0.01)
September 30, 2011	**8,864**	(394,083)	(0.01)
June 30, 2011	**9,495**	(152,235)	-
March 31, 2011	**9,382**	(340,322)	(0.01)
December 31, 2010	**8,874**	(493,986)	(0.01)
September 30, 2010	**9,090**	(89,225)	-

Total revenues quarter over quarter is limited to interest income earned every period except for June 30, 2012 in which $1,249,551 was received as a gain on the sale of the offshore Labrador licence. Net loss was greater for the quarter ended June 30, 2012 as a result of write-offs of PNG exploration and evaluation assets and for the year ended December 31, 2011 as a result of write-offs of PNG exploration and mineral deposits and higher stock based compensation and G&A costs. Net loss for December 31, 2010 was higher as a result of an increase to deferred income taxes relating to the premiums recorded on the issuance of flow-through shares.

LIQUIDITY

At period-end, the Company had current assets of $5,980,777 of which $5,941,058 is cash and cash equivalents. This cash is readily available and is not subject to subprime debt issues nor asset backed commercial debt.

The Company has no long-term debt and as such is not sensitive to interest rate fluctuation on debt instruments. The Company has no unpaid accrued or contingent liabilities that could materially affect its financial position except for the item disclosed in the notes to the consolidated financial statements. The Company is required to post refundable security deposits with the Government of Newfoundland and Labrador for drilling and other petroleum operations in Western Newfoundland. The Company's cash and cash equivalents are held in bank accounts with no exposure to equity market fluctuations.

Currently, the Company has no production revenue from petroleum and natural gas or minerals. Further issuance of equity and joint venturing will be required to carry on the business of the Company in the longer term. Because of volatility in the equity and commodity markets there is no guarantee either source of funding will be available in the future.

CAPITAL RESOURCES

The Company carries out exploration on petroleum permits and mineral licenses in Newfoundland and Labrador. These tenure instruments require annual work obligations in order to maintain ownership. Failure to fulfill work obligations would result in loss of ownership interest. The following table sets out the Company's current petroleum and mineral interests.

Tenure Instrument	Project	Working Interest Ownership
Petroleum Permits		
Permit 96-105	Bay St. George, Western Newfoundland	2.0% GORR
Permit 03-106	Bay St. George, Western Newfoundland	2.0% GORR
Permit 03-107	Bay St. George, Western Newfoundland	2.0% GORR
Permit 03-102	Parsons Pond, Western Newfoundland	7.39%
Permit 03-103	Parsons Pond, Western Newfoundland	10%
Mineral Licences		
015834M	TL Nickel, Labrador	49%
008838M	Bay St. George, Western Newfoundland	100%
006107M	Bay St. George, Western Newfoundland	100%
010069M	Bay St. George, Western Newfoundland	100%
017955M	Bay St. George, Western Newfoundland	100%
017956M	Bay St. George, Western Newfoundland	100%
018054M	Bay St. George, Western Newfoundland	100%
014138M	Kingurutik, Labrador	100%
018929M	Bay St. George, Western Newfoundland	100%
019059M	Bay St. George, Western Newfoundland	100%
019130M	Bay St. George, Western Newfoundland	100%
019131M	Bay St. George, Western Newfoundland	100%
019304M	Bay St. George, Western Newfoundland	100%
019305M	Bay St. George, Western Newfoundland	100%

OFF BALANCE SHEET ARRANGEMENTS

The Company has no material off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the period, the Company paid premises rent aggregating $12,000 (2011: $12,000) to a private company owned and controlled by the President and a director of the Company. As well, he received $97,500 (2011: $97,500) in management fees.

Directors' fees were paid during the period of $14,000 (2011 - $14,000). Included in accounts payable and accrued liabilities are management fees due to the President of $5,300 (2011 – $4,800).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties.

PROPOSED TRANSACTIONS

On July 25, 2012, shareholders of the Company approved a corporate re-organization whereby the Company will spin-out certain of its mineral exploration assets into a separate publicly traded subsidiary company (Red Moon Potash Inc.). The corporate re-organization will proceed by a plan of arrangement subject to TSX-Venture Exchange and regulatory approval (see discussion above "Plans for 2012"). The Company through its normal course of business solicits partners for some of its exploration prospects, both petroleum and minerals.

CRITICAL ACCOUNTING ESTIMATES

Any critical accounting estimates are disclosed in the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective, as per below:

IAS 27 Separate Financial Statements will replace the existing IAS 27 "Consolidated and Separate Financial Statements". IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. IAS 27 is effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in Associates and Joint Ventures was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013.

IFRS 9 Financial Instruments was issued in 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-

12 “Consolidation – Special Purpose Entities” and is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities-Non – Monetary Contributions by Venturers and is effective for annual periods on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurements defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013.

The Company is currently evaluating the impact of the above standards on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s assets include cash and cash equivalents. These cash equivalents include a bank account and a treasury account.

The Company received 1,200,000 shares (initially valued at $63,600) in Nortec, a public company pursuant to a mineral property option agreement dated May 30, 2003 and 200,000 shares (initially valued at $60,000) pursuant to another mineral property option agreement dated July 30, 2008. The shares have been valued as an investment of $98,000 on the balance sheet at June 30, 2012. These shares are all free trading. The Company may sell those shares at its discretion in context of the market value and prospects for Nortec.

The Company currently holds 1,796,437 shares in NWest and has recorded the shares at market of $233,537 on the balance sheet at June 30, 2012. The Company may sell those free trading shares at its discretion in context of the market value and prospects for NWest.

During 2007, the Company received 150,000 shares (initially valued at $93,000) in Commander Resources Ltd., a public company, pursuant to a mineral property letter agreement dated February 27, 2007. The shares have been valued as an investment of $10,500 on the balance sheet at June 30, 2012. The Company may sell those shares at its discretion in context of the market value and prospects for Commander Resources Ltd.

Business Risks

The Company is a junior exploration company principally involved in mineral and oil and gas exploration which is an inherently high-risk activity. The business of exploring for, developing, acquiring, producing oil and natural gas and minerals is subject to many risks and uncertainties, several of which are beyond the control of the Company. These risks are operational, financial, legal and regulatory in nature.

Operational risks include unsuccessful exploration and development drilling activity, reservoir performance, safety and environmental concerns, access to cost effective contract services, escalating industry costs for contracted services and equipment, product marketing and hiring and retaining qualified employees.

The Company is subject to financial risk as exploration is capital intensive and the Company has no sources of funding other than equity financing and joint venture financing arrangements. Only the skills of management and staff in mineral and oil and gas exploration and exploration financing serve to mitigate these risks.

The Company is subject to a variety of regulatory risks that it does not control. Government and Securities regulations are monitored to ensure the Company continues to be in compliance.

The Company also mitigates many of the above risks by having diversified exploration projects at low cost to the Company and to attract JV partners to finance further exploration. The more projects that can be generated and the longer the Company can obtain financing the better its chances for achieving success. The Company has been in business for 16 years and has a solid foundation technically, corporately and financially to go forward and be positioned for future success.

Financial Risk Factors

Other financial risk factors in which the Company is exposed to are outlined below:

Credit risk
The Company provides credit to its joint venture partners in the normal course of its operations. Management believes that the credit risk with respect to accounts receivable is immaterial. The credit risk on cash is limited because the counterparty is a chartered bank with a high credit rating. The Company does not expect any liquidity issues or credit losses on these amounts.

Liquidity risk
The Company believes it has sufficient liquidity to meet its current obligations as a result of securing additional funds through equity and partnering transactions. The Company manages it liquidity risk by continuously monitoring forecasts and actual cash flows.

Market Price Risk
The value of the Company's investments is exposed to fluctuations in value depending on a number of factors, including the quoted market price and the market value of the commodities that the companies may focus on. The Company does not utilize any derivative contracts to reduce this exposure.

Interest rate risk
The Company’s cash balances are held in bank accounts or invested in short-term deposit certificates. The Company has no debt. The Company believes its interest rate risk is not significant.

Commodity price risk
The recoverability of the Company's petroleum and natural gas and mineral properties is partially related to the market price of oil and gas and base metals. The Company does not hedge this exposure to fluctuations in commodity prices. Commodity price risk from a production perspective is not applicable because the Company is not a producing entity. The Company’s ability to continue with its exploration program is also indirectly subject to commodity prices.

Foreign exchange risk
The parent company of the Company's joint venture partner for onshore Bay St. George is located in Paris, France. The majority of transactions for this joint venture are in Canadian funds. The Company believes its foreign exchange risk is minimal.

SHARE CAPITAL

As of the date of this management discussion and analysis the Company has 57,526,129 voting common shares outstanding. The Company's share capital consists of an unlimited number of voting common shares and an unlimited number of preferred shares of which there are none outstanding.

At the end of the period, the Company had outstanding 3,555,000 options (84,688 options were not vested) to purchase voting common shares consisting of the following:

Date Issued	Number	Exercise Price	Details
September 26, 2007	900,000	$0.50	Directors' Options, Expiry Sept. 26, 2012
June 27, 2008	900,000	$1.00	Employee & Directors' Options Expiry June 27, 2013
April 22, 2009	350,000	$0.45	Director's Options, Expiry April 22, 2014
September 3, 2009	50,000	$0.70	Employee Options, Expiry September 3, 2012
August 3, 2010	950,000	$0.45	Director's Options, Expiry August 3, 2015
August 3, 2010	355,000	$0.45	Employee Options, Expiry August 3, 2013
September 1, 2010	50,000	$0.45	Employee Options, Expiry September 1, 2013

At the end of the period, the Company had 175,000 warrants exercisable into voting common shares consisting of the following:

Date Issued	Number	Exercise Price	Details
December 29, 2011	175,000	$0.30	Expiry December 29, 2013

ADDITIONAL INFORMATION

All corporate disclosure documents are filed on www.sedar.com. Additional information regarding the Company's projects and activities are available at www.vulcanminerals.ca.

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, "Continuous Disclosure Obligations", part 4 subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Corporation's external auditors have not performed a review of these financial statements.

VULCAN MINERALS INC.
Condensed Consolidated Consolidated Balance Sheets (unaudited)
As at

		June 30, 2012		December 31, 2011
Assets				
Current assets				
Cash and cash equivalents	**$**	**5,941,058**	$	2,157,286
Accounts receivable		**33,285**		65,448
Prepaid expenses		**6,434**		14,628
		5,980,777		2,237,362
Deposits		**480,503**		209,029
Investments (Note 4)		**342,037**		476,430
Mineral exploration and evaluation (Note 5)		**451,649**		437,868
Petroleum and natural gas exploration and evaluation (Note 6)		**4,309,740**		9,792,196
Equipment (Note 7)		**188,141**		220,119
Total Assets	**$**	**11,752,847**	$	13,373,004
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**733,323**	$	814,666
Asset retirement obligations (Note 8)		**10,894**		63,208
Deferred income taxes (Note 9 (a))		**629,168**		855,816
Total Liabilities		**1,373,385**		1,733,690
Shareholders' Equity				
Deficit		**(11,669,152)**		(10,475,022)
Accumulated other comprehensive loss		**(346,169)**		(231,261)
Share capital (Note 10 (a) and (b))		**19,543,102**		19,543,102
Warrants (Note 10(c))		**424,426**		424,426
Share based payment reserve (Note 10 (d))		**2,427,255**		2,378,069
Total Shareholders' Equity		**10,379,462**		11,639,314
Total Liabilities and Shareholders' Equity	**$**	**11,752,847**	$	13,373,004

Nature of operations and continuation of the business (Note 1)

Approved on behalf of the Board of Directors on August 14, 2012

Patrick J. Laracy ("signed") **Director**

Rex Gibbons ("signed") **Director**

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Condensed Consolidated Statements of Loss (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	**2012**	2011
Revenue				
Other income	**$ 1,249,551**	$ -	**$ 1,249,551**	$ -
Interest income	**10,107**	9,495	**16,843**	18,877
	1,259,658	9,495	**1,266,394**	18,877
Expenses				
General and administrative	**209,254**	163,612	**384,257**	296,132
Stock-based compensation (Note 11)	**-**	2,052	**39,635**	125,687
Write-off of petroleum and natural gas exploration and evaluation	**2,207,798**	-	**2,207,798**	-
Depreciation	**19,532**	8,671	**35,996**	17,270
	2,436,584	174,335	**2,667,686**	439,089
Net loss before income taxes	**(1,176,926)**	(164,840)	**(1,401,292)**	(420,212)
Income taxes				
Other tax expense	**-**	(2,237)	**-**	(4,291)
Deferred income tax recovery (expense) (Note 9 (b))	**37,076**	14,842	**207,162**	(68,054)
	37,076	12,605	**207,162**	(72,345)
Net loss	**$ (1,139,850)**	$ (152,235)	**$ (1,194,130)**	$ (492,557)
Net loss per share - basic and diluted	**$ (0.02)**	$ -	**$ (0.02)**	$ (0.01)
Weighted-average number of common shares outstanding - basic and diluted	**57,526,129**	57,176,129	**57,526,129**	57,176,129

Condensed Consolidated Statements of Comprehensive Loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	**2012**	2011
Net loss	**$ (1,139,850)**	$ (152,235)	**$ (1,194,130)**	$ (492,557)
Other comprehensive loss:				
Unrealized loss on available-for-sale financial assets, (net of tax recovery of ($19,487); (2011 - $20,471))	**(383,623)**	(217,294)	**(114,908)**	(120,709)
Comprehensive loss	**$ (1,523,473)**	$ (369,529)	**$ (1,309,038)**	$ (613,266)

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)
Six Months Ended June 30

		2012		2011
Deficit				
Balance, beginning of period	$	(10,475,022)	$	(8,739,405)
Net loss		(1,194,130)		(492,557)
Balance, end of period	$	(11,669,152)	$	(9,231,962)
Accumulated Other Comprehensive (Loss) Income				
Balance, beginning of period	$	(231,261)	$	85,120
Unrealized loss on available-for-sale financial assets, (net of tax recovery of $19,487; 2011 - $20,471)		(114,908)		(120,709)
Balance, end of period	$	(346,169)	$	(35,589)
Share Capital				
Balance, beginning and end of period	$	19,543,102	$	19,496,717
Warrants				
Balance, beginning and end of period	$	424,426	$	419,176
Share Based Payment Reserve				
Balance, beginning of period	$	2,378,069	$	2,069,864
Stock options vested during the period		49,186		203,759
Balance, end of period	$	2,427,255	$	2,273,623
TOTAL SHAREHOLDERS' EQUITY	**$**	**10,379,462**	**$**	**12,921,965**

See accompanying notes to the consolidated financial statements

VULCAN MINERALS INC.
Condensed Consolidated Statements of Cash Flows (unaudited)
Six Months Ended June 30

		2012		2011
Operating Activities				
Interest receipts	**$**	**16,843**	$	18,877
Operating payments		**(452,028)**		(366,550)
		(435,185)		(347,673)
Investing Activities				
Mineral properties expenditures		**(12,000)**		(4,000)
Petroleum and natural gas properties expenditures		**(18,093)**		(1,005,613)
Petroleum and natural gas properties divestments		**4,250,000**		(1,005,613)
Acquisition of equipment		**(950)**		(1,399)
		4,218,957		(2,016,625)
Cash (outflow) inflow		**3,783,772**		(2,364,298)
Cash and cash equivalents, beginning of year		**2,157,286**		4,676,375
Cash and Cash Equivalents, end of period	**$**	**5,941,058**	$	2,312,077
Cash and cash equivalents are comprised of:				
Deposits with banks	**$**	**4,732,582**	$	2,121,363
Guaranteed investment certificates, interest rate of 1.0% (2011 - 0.9%)		**1,208,476**		1,196,327
	$	**5,941,058**	$	3,317,690

Supplemental cash flow information (Note 12)

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND CONTINUATION OF THE BUSINESS

Vulcan Minerals Inc. (the "Company") is engaged in the evaluation, acquisition and exploration of mineral and petroleum and natural gas properties in Newfoundland and Labrador of which substantially all of the exploration activities of the Company are carried out with joint parties. The Company plans to ultimately develop the properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain reserves that are economically recoverable and the Company is considered to be in the exploration stage.

These financial statements have been prepared using accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. However, adverse conditions exist to cast significant doubt on the Company's ability to continue as a going concern. The Company is in the process of exploring its mineral and petroleum and natural gas properties and has not yet determined whether these properties contain economically recoverable reserves. The success of the Company and the recoverability of exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to fund and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The amounts shown as mineral and petroleum and natural gas exploration and evaluation costs represent net costs to date less any write-offs and do not necessarily represent present or future values. At June 30, 2012, the Company had an accumulated deficit of $11,669,153 (December 31, 2011 - $10,475,022).

If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and balance sheet classifications used.

The Company is a publicly traded company, incorporated under the laws of the Province of Alberta, Canada. Its registered address is 333 Duckworth Street, St. John's, NL A1C 1G9.

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 14, 2012.

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

2. BASIS OF PRESENTATION (continued)

The accounting principles and practices as applied in these interim condensed consolidated financial statements for the period ended June 30, 2012 remain unchanged from the year ended December 31, 2011. These policies have been retrospectively and consistently applied.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and share-based payment transactions which are measured at fair value.

In these interim condensed consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars which is also the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes disclosed in the Company's report for the year ended December 31, 2011. These interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of computation as the year end consolidated financial statements for the Company for the year ended December 31, 2011 as described in note 3 of the December 31, 2011 consolidated financial statements.

4. INVESTMENTS

	30-Jun-12	31-Dec-11
	$	$
Investments	**342,037**	476,430

Investments, classified as available for sale, consist of:

Shares in a public company received as consideration for option payments on mineral claims with a cost of $123,600. At June 30, 2012, the market value of the shares is $98,000 (December 31, 2011 - $168,000).

Shares in a public company in which the Company transferred its interest in an offshore exploration license with a cost of $497,223. At June 30, 2012, the market value of the shares is $233,537 (December 31, 2011 - $287,430).

Shares in a public company received as consideration for option payments on mineral claims with an original value of $93,000. At June 30, 2012, the market value of the shares is $10,500 (December 31, 2011 – $21,000).

5. MINERAL EXPLORATION AND EVALUATION ASSETS

The Company has 14 mineral licenses (December 31, 2011 – 14), which consists of 1,900 claims (December 31, 2011 – 1,900), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. All of these licenses are in the exploration and evaluation stage. A summary of the costs of these licenses is as below.

	30-Jun-12			31-Dec-11		
	Balance, Beginning of Year	**Additions**	**Balance, End of Period**	Balance, Beginning of Year	Additions	Balance, End of Year
	$	**$**	**$**	$	$	$
Property acquisition costs	**139,561**	**-**	**139,561**	129,161	10,400	139,561
Exploration costs	**786,499**	**13,781**	**800,280**	442,387	344,112	786,499
Options payments received	**(53,181)**	**-**	**(53,181)**	(53,181)	-	(53,181)
Cost of properties abandoned	**(435,011)**	**-**	**(435,011)**	(435,011)	-	(435,011)
	437,868	**13,781**	**451,649**	83,356	354,512	437,868

$1,781 (December 31, 2011 - $28,792) of the current year additions related to share-based compensation costs capitalized to mineral exploration and evaluation.

6. PETROLEUM AND NATURAL GAS EXPLORATION AND EVALUATION ASSETS

The Company holds minority working interests in two exploration permits in western Newfoundland as well as a database of geological and geophysical data. A summary of the costs of these assets is as below.

	30-Jun-12			31-Dec-11		
	Balance, Beginning of Year	**Additions**	**Balance, End of Period**	Balance, Beginning of Year	Additions	Balance, End of Year
	$	**$**	**$**	$	$	$
Petroleum and natural gas costs	**14,274,035**	**69,397**	**14,343,432**	12,653,159	1,620,876	14,274,035
Cost of abandoned properties	**(4,481,839)**	**(5,551,853)**	**(10,033,692)**	(3,697,441)	(784,398)	(4,481,839)
	9,792,196	**(5,482,456)**	**4,309,740**	8,955,718	836,478	9,792,196

Amounts not subject to depreciation are $4,309,740 (December 31, 2011 - $9,792,196). There is no depreciation recorded on these properties since all properties are unproven properties. In the current year, $7,769 (December 31, 2011 – $96,433) of additions related to share-based compensation costs were capitalized to petroleum and natural gas exploration and evaluation.

7. EQUIPMENT

	30-Jun-12				31-Dec-11			
	Drilling Rig	**Furniture & Fixtures**	**Computer Equipment**	**TOTALS**	Drilling Rig	Furniture & Fixtures	Computer Equipment	TOTALS
	$	**$**	**$**	**$**	$	$	$	$
Opening balance	**798,368**	**11,377**	**47,650**	**857,395**	638,406	11,377	44,471	694,254
Additions	**-**	**-**	**950**	**950**	159,962	-	3,179	163,141
Opening depreciation	**(597,685)**	**(8,148)**	**(31,443)**	**(637,276)**	(545,955)	(7,341)	(25,179)	(578,475)
Adjustments to depreciation	**(30,103)**	**(323)**	**(2,502)**	**(32,928)**	(51,730)	(807)	(6,264)	(58,801)
Closing balance	**170,580**	**2,906**	**14,655**	**188,141**	200,683	3,229	16,207	220,119

As at June 30, 2012, $253,354 of accumulated depreciation of the drilling rig (December 31, 2011 - $253,354) has been capitalized to petroleum and natural gas exploration and evaluation; $30,103 has been expensed for the period ended June 30, 2012 (December 31, 2011 - $51,730).

8. ASSET RETIREMENT OBLIGATIONS

Upon termination of the Company’s petroleum and natural gas sites, the Company is required to satisfy certain asset retirement obligations including the removal of any equipment and the restoration of the land and premises to their original condition.

The Company estimates the total undiscounted cash flows required to settle its asset retirement obligations at June 30, 2012 is $10,195 (December 31, 2011 - $68,195) which will be incurred between 2012 and 2016 and is adjusted based on the risk-adjusted discount rate of 5% (December 31, 2011 – 5%) to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligation is provided below:

	30-Jun-12	31-Dec-11
	$	$
Balance, beginning of year	**63,208**	63,449
Liabilities incurred	**-**	(1,306)
Liabilities settled and/or changes in estimated cash flows	**(55,382)**	-
Accretion expense	**3,068**	1,065
Balance, end of period	**10,894**	63,208

9. INCOME TAXES

a) Deferred income taxes

The components of the deferred income tax liability are as follows:

	30-Jun-12	31-Dec-11
	$	$
Temporary differences related to petroleum, natural gas and mineral exploration and evaluation	**1,498**	1,724,634
Tax effect of unrealized losses on available-for-sale financial assets	**(47,948)**	(28,461)
Share issuance costs	**(82,311)**	(102,923)
Non-capital loss carryforwards	**(497,248)**	(719,104)
Asset retirement obligations	**(3,159)**	(18,330)
Recognized deferred tax liability	**(629,168)**	855,816

b) Income tax rates

Other tax expense of $Nil (December 31, 2011 - $6,027) consists of Part XII.6 tax related to the renunciation of flow-through shares.

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 29% (2011 – 30.5%) to net (loss) earnings before income taxes as follows:

	30-Jun-12	31-Dec-11
	$	$
Expected income tax recovery	**(406,375)**	(548,243)
Share-based compensation costs	**11,494**	55,809
Flow-through shares renounced	**-**	251,988
Effect of changes in rates for temporary differences and other items	**187,719**	172,517
Deferred income taxes recovery	**(207,162)**	(67,929)

10. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares
Unlimited number of preferred shares, issuable in series

b) Issued and outstanding

	30-Jun-12		31-Dec-11	
	Number	**Stated Value**	Number	Stated Value
		$		$
Common Shares				
Balance, beginning of year	**57,526,129**	**19,543,102**	57,176,129	19,496,717
Issued pursuant to private placements (Note 11(b))	**-**	**-**	350,000	47,250
Share issuance cost, net of tax benefits of $Nil (2011 - $360)	**-**	**-**	-	(865)
Balance, end of period	**57,526,129**	**19,543,102**	57,526,129	19,543,102

Pursuant to a flow-through private placement dated December 29, 2011, the Company issued 350,000 units at $0.20 for aggregate proceeds of $70,000 (less $5,250 attributed to the fair value of warrants and $17,500 as the variance between the issuance price and the fair market value). Each unit consisted of one common share (flow-through) and one-half of a common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.30 per share until December 29, 2013. Share issuance costs were $865 net of tax of $360.

c) Warrants

A summary of the status of the Company's common share purchase warrants and agent's warrants are as follows:

	30-Jun-12		31-Dec-11	
	Number of Warrants	**Weighted-Average Exercise Price**	Number of Warrants	Weighted-Average Exercise Price
		$		$
Outstanding, beginning of year	**175,000**	**0.30**	2,102,364	0.77
Issued	**-**		175,000	0.30
Expired	**-**		(2,102,364)	0.77
Outstanding, end of period	**175,000**	**0.30**	175,000	0.30

10. SHARE CAPITAL (continued)

c) Warrants (continued)

	30-Jun-12	31-Dec-11
	$	$
Balance, beginning of year	**424,426**	419,176
Fair value of warrants granted	**-**	5,250
Balance, end of period	**424,426**	424,426

At December 31, 2011, $419,176 of the $424,426 relates to warrants which expired during 2011.

(d) Share-based payment reserve

A summary of share-based payment reserve is as follows:

	30-Jun-12	31-Dec-11
	$	$
Balance, beginning of year	**2,378,069**	2,069,864
Share-based compensation	**49,186**	308,205
Transferred to share capital upon exercise of options	**-**	-
Balance, end of period	**2,427,255**	2,378,069

11. SHARE-BASED COMPENSATION

a) Stock options

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company and its subsidiaries are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Company. Options granted under the plan generally have a term of five years but may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

11. SHARE-BASED COMPENSATION (continued)

a) Stock options (continued)

A summary of the status of the Company's stock option plan is as follows:

	30-Jun-12		31-Dec-11	
	Number of Options	**Weighted-Average Exercise Price**	Number of Options	Weighted-Average Exercise Price
		$		$
Outstanding, beginning of year	**4,130,000**	**0.60**	4,880,000	0.58
Expired/cancelled	**(575,000)**	**0.55**	(750,000)	0.46
Outstanding, end of period	**3,555,000**	**0.60**	4,130,000	0.60
Granted but not vested	**(84,688)**	**0.45**	(307,296)	0.45
Outstanding and exercisable, end of period	**3,470,312**	**0.70**	3,822,704	0.62

During the period ended June 30, 2012, no options were exercised (December 31, 2011 – Nil). During the period ended June 30, 2012, share-based payment reserves of $Nil (December 31, 2011 - $Nil) has been transferred to share capital upon the exercise of stock options.

The weighted average remaining contractual life of outstanding options is 1.45 years (December 31, 2011 – 1.78 years).

(b) Fair value assumptions

The weighted-average fair value of stock options vested during the period ended June 30, 2012 was estimated on the dates of grant to be $0.25 (December 31, 2011 - $0.26) using the Black-Scholes option pricing model with the following weighted-average assumptions:

	30-Jun-12	31-Dec-11
Expected life (years)	**4.31**	4.20
Risk-fee interest rate (%)	**1.86**	1.82
Expected volatility (%)	**84**	85

During the period ended June 30, 2012, compensation costs of $39,635 (December 31, 2011 - $182,980) have been expensed, $1,782 (December 31, 2011 - $28,792) have been capitalized to mineral exploration and evaluation, and $7,769 (December 31, 2011 - $96,433) has been capitalized to petroleum and natural gas exploration and evaluation, resulting in the recognition of $49,186 (December 31, 2011 - $308,205) in the share-based payment reserve.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	30-Jun-12	31-Dec-11
	$	$
Shares-based payment reserve recognized upon the issuance of stock options recorded as:		
Share-based compensation	**39,635**	182,980
Addition to mineral exploration and evaluation	**1,782**	28,792
Addition to petroleum and natural gas exploration and evaluation	**7,769**	96,433
Non-cash operating, investing, and financing activities	**49,186**	308,205
Transfer of contributed surplus and warrants to share capital upon exercise of stock options and warrants	**-**	-
Changes in asset retirement obligations		
Accretion expense	**3,068**	1,065
Decrease in petroleum and natural gas exploration and evaluation	**(55,382)**	(1,306)
Decrease of asset retirement obligations	**(52,314)**	(241)

13. RELATED PARTY TRANSACTIONS

	30-Jun-12	31-Dec-11
	$	$
Items included in general and administrative expenses:		
Rent paid to a corporation which is controlled by the President of the Company	**12,000**	24,000
Management fees paid to the President of the Company	**97,500**	195,500
Directors fees paid ($3,500 to each of four directors)	**14,000**	14,000
Items included in accounts payable and accrued liabilities:		
Management fees payable	**5,300**	4,800

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the same terms and conditions as transactions with non-related parties. $31,868 was expensed (December 31, 2011 - $137,518) and $2,547 (December 31, 2011 - $57,422) was capitalized to petroleum and mineral exploration costs for the period ended June 30, 2012 for vested share-based options related to key management personnel (President and Directors).

14. CONTINGENT LIABILITY

In 2011, the Company was served with a statement of claim by Geophysical Services Incorporated wherein it is claimed that the Company, as a co-defendant with Investcan Energy Corporation, has committed a copyright infringement. The claim relates to an allegation that accessing offshore Labrador seismic data, which is released to the public by the Canada Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) after the relevant statutory privilege-confidentiality period, is a breach of copyright. The Company is of the opinion that this claim is without basis and vexatious. The Company will fully defend its interests and take all other actions available to it.

CORPORATE INFORMATION

OFFICERS AND MANAGEMENT

Patrick J. Laracy
President and Chairman

Dawn E. Bishop
Chief Financial Officer and Corporate Secretary

BOARD OF DIRECTORS

Patrick J. Laracy

Rex Gibbons

Philip E. Collins

William Koenig

EXCHANGE LISTING
TSX Venture – “VUL”

LEGAL COUNSEL
Morris McManus, Calgary, AB
Stewart McKelvey, St. John’s, NL

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada

AUDITORS
PricewaterhouseCoopers LLP

INVESTOR RELATIONS
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BANKERS
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